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## Consumer Spending Still Down

Figures from Japan's government this week is showing weak consumption in contrast to an uptick in factory output, highlighting just how uneven the nation's slow road to recovery is.

Consumer spending has decreased by 5%, marking ten months of declining rates which is the longest the market has seen since 2009's global economy crisis. At the beginning of the year, most Japanese have already cut back on their spending, which resulted in the retail industry suffering an unexpectedly sharp decrease in the last two quarters.

Experts of Elliott & Associates Research Global Markets claim that a potential difficulty for the industrial sector is a scenario where consumer spending does not increase in a couple of months. Another challenge against the recovery is the significantly low consumer spending due to the wages that have yet to increase along with the rise in sales tax.

On the other hand, corporations seem to be doing relatively better as they appear to be profiting from a weak yen, giving their products an advantage over competitors. Factory production has increased 4%, drastically higher than predicted by economists, as companies receive more orders

from foreign markets. As it is, exports are expected to at least hold the domestic economy together for a time.

A senior economist from SMBC Nikko Securities said, “Output is showing signs of an export-led recovery… This virtuous cycle of factory activity will continue to underpin Japanese output and capital spending ahead.”

Originally, the Japanese government planned another tax increase for October but has since delayed implementing it by 2 years owing to the weak economic conditions. A disaster or an unexpected crisis is expected to further delay any other increase in sales tax.

Reports from Elliott & Associates Research Global Markets show doubt that the BOJ can really meet its target as it is expected to take half a year for the benefits of reduced oil prices to push market growth — and that’s not even counting if consumers will actually spend what little they have saved from the lower fuel bills.

BOJ’s Haruhiko Kuroda has defended their timeframe in reaching the target because, according to him, not adopting an urgent approach is likely to undermine any effort to counter deflation.

Such inflation data only shows that the market will not likely reach the Bank of Japan’s goal of 2% inflation by April. It is widely predicted that Japan will face a fiscal crisis in 5-7 years’ time if the government fails to push sales tax over the 15% mark. This owes to the fact that the Japanese population continuously age, their high savings will significantly decrease, and the general public won’t be able to carry the debt it’s already handling.